

Message Text

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PAGE 01 STATE 107848
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FM SECSTATE WASHDC
TO AMEMBASSY CAIRO PRIORITY
AMEMBASSY JIDDA PRIORITY
AMEMBASSY KUWAIT PRIORITY

C O N F I D E N T I A L STATE 107848

EXDIS

E.O. 11652: GDS

TAGS: EAID, EFIN, PGOV, EG, SA, KV

SUBJECT: KAISOUNI AND CONSULTATIVE GROUP MEETING

REF: STATE 99634 (NOTAL)

1. FOR CAIRO: REFTEL REPORTED IBRD INTENTION TO
PROCEED WITH CG MEETING ON JUNE 14-16 SCHEDULE AND ALSO
MENTIONED OUR ASSUMPTION THAT DEPUTY PRIME MINISTER
KAISOUNI WOULD BE MEETING WITH IBRD, IMF AND STATE-AID
BEFORE CONCLUDING HIS MEDICAL CONSULTATIONS IN U.S.

2. BENJENK AT IBRD NOW REPORTS THAT KAISOUNI'S HEALTH
STATUS IS SO SERIOUS THAT THERE IS GOOD POSSIBILITY HE
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MAY NOT BE ABLE TO CONTINUE HIS LEADERSHIP OF GOE ECON-
OMIC TEAM. AT THE SAME TIME THE BANK IS UNCERTAIN TO
WHAT EXTENT HEALTH IS THE CRUCIAL FACTOR. IF KAISOUNI
DECIDES TO RESIGN, AND GOE COULD NOT INDUCE HIM TO STAY
ON UNTIL SUMMER, BANK QUESTIONS WHETHER GOE WILL BE ABLE
CHOOSE SUCCESSOR IN TIME FOR LATTER TO PUT TOGETHER
EFFECTIVE EGYPTIAN PARTICIPATION IN JUNE CG MEETING.

CRUCIAL, OF COURSE, IS SADAT'S SUPPORT OF BASIC LINES OF REFORM ON WHICH KAISOUNI'S GROUP HAS PROMISED LEADERSHIP. BANK AND FUND ARE PREPARED TO RECOMMEND POSTPONING CG MEETING UNTIL EARLY FALL IF IT APPEARS JUNE SESSION

WOULD NOT HELP MEET GOE AND CONSULTATIVE GROUP MEMBER OBJECTIVES. PUT ANOTHER WAY, BELIEVE EITHER KAISOUNI MUST STAY (AND HIS HEALTH MAY NOT PERMIT THIS) OR SADAT MUST COME UP WITH A CREDIBLE ALTERNATIVE APPROACH TO ECONOMIC LEADERSHIP WHICH CONVINCES THE DONORS HE REMAINS STEADFAST BEHIND REFORM MEASURES.

3. BENJENK BELIEVES KAISOUNI MAY GO BACK TO CAIRO DIRECTLY WITHOUT SUBSTANTIVE MEETING WITH HIM OR SHAALAN, BUT HE BELIEVES KAISOUNI WOULD TELL HIM ABOUT HIS FUTURE PLANS BEFORE LEAVING U.S. SAUNDERS AND WHEELER HAD ALSO REQUESTED INFORMAL MEETING WITH KAISOUNI, BUT THIS NOW SEEMS UNLIKELY.

4. SHAKAR SHAALAN, HEAD OF IMF'S MIDDLE EAST DEPARTMENT, IS GOING TO CAIRO THIS WEEKEND TO ATTEMPT TO RESOLVE OUTSTANDING FUND-GOE DIFFERENCES TO DEGREE POSSIBLE.

5. MARTIN PAIJMANS, ONE OF BENJENK'S DEPUTIES, WILL BE IN CAIRO APPROXIMATELY MAY 8 THROUGH 12. KHALID IKRAM OF BANK WILL ALSO BE IN EGYPT ABOUT THIS TIME, ARRIVING MAY 6. CONFIDENTIAL

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BOTH WILL ATTEMPT TO ASSESS WHETHER EGYPT IS ASSEMBLING NECESSARY INFORMATION AND POSITIONS NEEDED FOR JUNE MEETING. EGYPTIANS ARE ALREADY LATE IN SUBMITTING THEIR PAPER ON EGYPTIAN ECONOMIC POLICIES FOR THAT MEETING. DELAY IN THIS PAPER IS PART OF THE REASON FOR BANK'S GROWING UNCERTAINTY ABOUT GOVERNMENT'S INTENTIONS.

6. BENJENK, HAVING DISCUSSED APPARENT CRISIS WITH MCNAMARA, HAS ASKED AA/NE WHEELER TO GET A READING ON THE ABOVE FROM AMBASSADOR EILTS.

7. FOR ALL ADDRESSEES: PAIJMANS INTENDS VISIT SAUDI ARABIA AND KUWAIT AFTER CAIRO TO BRING CODE OFFICIALS UP TO DATE ON EGYPTIAN ECONOMIC SITUATION AND AID REQUIREMENTS. BANK ESTIMATES THAT GOE BALANCE OF PAYMENTS PICTURE IS SUCH THAT DOLS 1 BILLION IN CODE DISBURSEMENTS WILL BE NEEDED NEXT YEAR. WITH DOLS 500 MILLION IN CODE FUNDS IN PIPELINE, PAIJMANS WILL BE SEEKING ASSURANCES OF ANOTHER DOLS 500 MILLION OF WHICH IDEALLY DOLS 300-350 MILLION WOULD BE IN CASH AND BALANCE IN RAPIDLY DISBURSING COMMODITY AID. IF CODE WANTS TO GIVE FUNDS IN FORM OF PROJECT ASSISTANCE, BANK WILL SUGGEST THIS BE IN

ADDITION TO DOLS 500 MILLION NEEDED TO MEET EGYPT'S CASH
REQUIREMENTS. IF EMBASSY JIDDA AND KUWAIT ARE AT SOME
POINT ASKED TO COMMENT ON BANK SUGGESTIONS RE GODE AID BY
HOST GOVERNMENTS, SUGGEST YOU SUPPORT GOE CONTINUING NEEDS
FOR SUBSTANTIAL AID NEXT YEAR, INCLUDING LARGE CASH
COMPONENT. VANCE

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